

Message Text

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43

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 HEW-02 L-03 FTC-01

XMB-02 OPIC-03 AID-05 IGA-02 /036 W

----- 074753

R 121132Z FEB 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3987

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 2218

E.O. 11652: N/A

TAGS: EFIN, USINJC, IN, US

SUBJECT: PHARMACEUTICALS

REF: BOMBAY 0322 (NOTAL)

1. EMBOFF MET WITH FERNANDES TO DISCUSS A WIDESPREAD REPORT IN THE INDUSTRY THAT THE MINISTRY OF CHEMICALS AND FETILIZERS HAD DECIDED THAT ALL FOREIGN PHARMACEUTICAL COMPANIES WOULD BE REQUIRED TO AUTOMATICALLY REDUCE THEIR FOREIGN EQUITY TO 40 PERCENT.

2. FERNANDES DENIED THAT AY SUCH DECISION HAD BEEN MADE. HE SUGGESTED THAT THE MISUNDERSTANDING WAS A GARBLE OF MINISTER SETHI'S REMARKS IN PARLIAMENT OF TWO WEEKS AGO. AT THAT TIME SETHI SAID, IN RESPONSE TO A QUESTION, THAT THE REDUCTION OF FOREIGN EQUITY TO 40 PERCENT WAS A RECOMMENDATION OF THE HATHI COMMITTEE AND AS SUCH WAS UNDER CONSIDERATION BY THE MINISTRY. FERNANDES SAID THAT DELIBERATIONS WITHIN THE MINISTRY ON THE QUESTION OF FOREIGN EQUITY WERE GOING SLOWLY. AT THE URGING OF THE MINISTRY OF INDUSTRY, CONSIDERATION IS BEING GIVEN TO REMOVING DRUG FORMULATIONS FROM THE CORE SECTOR. THUS, A MANUFACTURER WOULD HAVE TO PRODUCE

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BASIC DRUGS AND/OR DRUGS FOR EXPORT IN ORDER TO QUALIFY

FOR FOREIGN EQUITY ABOVE 40 PERCENT. HE EMPHASIZED THAT NO DECISION HAD BEEN MADE IN THIS REGARD AND ONCE ANY RECOMMENDATION WAS FINALIZED WITHIN HIS MINISTRY IT WOULD THEN HAVE TO BE SUBMITTED TO THE CABINET SUBCOMMITTEE ON DRUGS FOR ITS APPROVAL. ALL THIS WILL TAKE TIME AND HE NOTED THAT THE SUBCOMMITTEE HAD NOT YET HELD ITS INITIAL MEETING.

3. FERNANDES MENTIONED THAT BOTH ABBOTT LABORATORIES' EXPANSION PROPOSAL FOR THE PRODUCTION OF ERYTHROMYCIN AND THE PFIZER PROPOSAL FOR PRODUCTION OF DOXYCYCLINE HAD BEEN APPROVED. THESE PROPOSALS WERE UNDER CONSIDERATION FOR TWO YEARS AND HE SUGGESTED THAT THEIR APPROVAL BE INTERPRETED AS FURTHER EVIDENCE OF A ROLE FOR FOREIGN PHARMACEUTICAL COMPANIES IN INDIA. WE AGREE. THE COMPANIES ARE AWARE OF THE APPROVALS, BUT THEY HAVE NOT RECEIVED OFFICIAL NOTIFICATION.
SAXBE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DRUG INDUSTRY, FOREIGN INVESTMENTS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE02218
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760055-0967
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760255/aaaabwer.tel
Line Count: 79
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BOMBAY 322
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by coburnhl>; APPROVED <05 OCT 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PHARMACEUTICALS
TAGS: EFIN, ECEM, US, IN, USINJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006